

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN INQUIRY INTO LOCAL COMPETITION,) ADMINISTRATIVE
UNIVERSAL SERVICE, AND THE NON-) CASE NO. 355
TRAFFIC SENSITIVE ACCESS RATE)

INQUIRY INTO UNIVERSAL SERVICE AND) ADMINISTRATIVE
FUNDING ISSUES) CASE NO. 360

O R D E R

The Commission addresses herein procedural matters pending in Administrative Case No. 360, as well as its requirement that new competing local exchange carriers ("CLECs") establish a bond or escrow account for Universal Service Fund ("USF") obligations, the determination of telecommunications carriers eligible for USF funds, and the establishment of Lifeline support.

On September 26, 1996, the Commission issued its Order in Administrative Case No. 355. The Commission set forth the requirements for authorized utilities to provide local service which included the establishment of a bond or escrow account to pay USF obligations in an amount equal to 6 percent of its gross receipts from the provision of intrastate service.¹

On October 31, 1996, the Commission established Administrative Case No. 360 and is currently considering all USF issues. The Commission will no longer require, as a condition of entry into the local service market, the establishment of a bond or escrow

¹ Administrative Case No. 355, Order at 54.

account. The USF has not been created as quickly as contemplated. Accordingly, failure to require the setting aside of monies to cover USF obligations accruing prior to the actual establishment of the Fund will not discriminate against any carrier. Relief from this requirement in no way eliminates the obligation of all local exchange carriers to contribute to the USF once it is established. However, the Commission has determined that prepayment is unnecessary at this time.

Pursuant to Section 214(e) of the Telecommunications Act of 1996 and 47 C.F.R. § 54.201-207, to qualify under federal law a telecommunications carrier eligible for USF funds, carriers must satisfy certain requirements or qualify for a waiver of those requirements. Carriers must offer specified services supported by the universal service mechanisms and must publicize the services availability. Services that must be provided by an eligible telecommunications carrier ("ETC") are voice grade access to the public switched network; access to free of charge "local usage" defined as an amount of minutes of use of exchange service; dual tone multi-frequency signaling or its functional equivalent; single-party service or its functional equivalent; access to emergency service, operator services, interexchange service, and directory assistance; and toll limitation services for qualifying low-income consumers. ETCs may offer these services using their own facilities or a combination of their facilities and resold services of another carrier. ETCs must also advertise the availability of, and the prevailing prices for, the services throughout the area in which they have been designated an ETC. The designation as an ETC ensures eligibility to receive specific federal universal service support, including high-cost support,

reimbursement for discounts provided to low-income consumers, and support for health care providers.

All incumbent local exchange carriers are capable of providing the required services for ETC status, except for toll limitation that requires real-time capability within the local exchange carriers switches to record and rate every toll call as made. This requirement is not technically feasible as this time, and thus local exchange carriers have demonstrated an exceptional circumstance warranting waiver pursuant to 47 C.F.R. § 54.101(c).

Based on the motions of the Independent Telephone Group,² BellSouth Telecommunications, Inc., GTE South Incorporated, and ALLTEL Kentucky, Inc. on their own behalf, and on the Commission's own motion for the remaining incumbent local exchange carriers,³ the Commission finds that all incumbent local exchange carriers should be designated ETCs throughout their current service areas in Kentucky. They all meet the eligibility requirements, with the exception of toll limitation availability, for which waiver is granted herein until December 1, 1998. Any incumbent local exchange carrier unable to provide toll limitation by that date should request additional time from the Commission no later than November 2, 1998.

² Ballard Rural Telephone Cooperative; Brandenburg Telephone Company; Duo County Telephone Cooperative; Foothills Rural Telephone Cooperative; Harold Telephone Company; Highland Telephone Cooperative; Logan Telephone Cooperative; Mountain Rural Telephone Cooperative; North Central Telephone Cooperative; Peoples Rural Telephone Cooperative; South Central Rural Telephone Cooperative; Thacker-Grigsby Telephone Company; and West Kentucky Rural Telephone Cooperative.

³ Cincinnati Bell Telephone Company; Leslie County Telephone Company, Inc.; Lewisport Telephone Company, Inc.; and Salem Telephone Company.

Based on the evidence of record of the demonstrated need in Kentucky for a Lifeline program and for the continuation of the Link-Up program, the Commission embraces the full amount of credit available for Lifeline assistance. Thus, Lifeline customers in Kentucky will receive \$3.50 in federal support. Further, an additional \$1.75 will be available because this Commission accepts an equivalent reduction in the portion of the intrastate local rates paid by the end-user. Thus, as of now, \$5.25 is the total monthly credit for Lifeline customers. Still pending Commission review is whether this Commission will support additional reductions in local service rates charged to Lifeline customers to be funded by the Universal Service Fund. Lifeline and Link-Up support should be made available to recipients of any of the following assistance programs: Social Security Insurance, food stamps, Medicaid, federal public housing, low-income home energy assistance program ("LIHEAP"), and temporary aid for needy families ("TANF"). Toll blocking will be provided at no charge to Lifeline customers, and deposits will not be required when toll blocking is selected. Local service will not be denied for non-payment of toll charges. The federal primary interexchange carrier charge will not be billed to Lifeline customers who choose toll blocking and do not presubscribe to a long-distance carrier. Lifeline or Link-Up customers will be required to complete an affidavit certifying receipt of benefits under one of the qualifying programs. The eligibility criteria adopted are those specified by the FCC.

The Commission will require participation by all incumbent local exchange carriers in the Lifeline program and continued participation in the Link-Up program. All incumbent local exchange carriers should file tariffs for Lifeline service and modifications to tariffs for Link-Up service with an effective date no later than January 1, 1998.

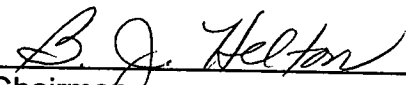
The Commission also finds that procedural matters pending in Administrative Case 360 should be scheduled herein. Accordingly, any supplemental testimony regarding late-filed cost models should be filed by December 2, 1997 and briefs, if any, should be filed by December 22, 1997.

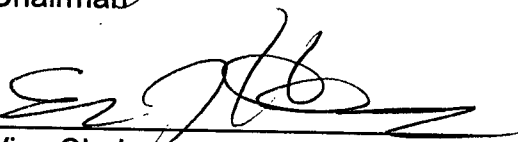
IT IS THEREFORE ORDERED that:

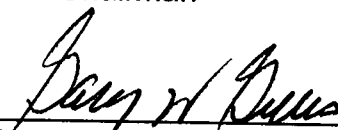
1. The requirement that new CLECs post a bond or create an escrow account for an amount equal to 6 percent of gross receipts from intrastate service is vacated.
2. All incumbent local exchange carriers are hereby designated as ETCs throughout their current service areas.
3. A waiver of the requirement to provide toll limitation services is hereby granted to December 1, 1998.
4. Lifeline support for low-income customers who are eligible for specified assistance programs shall be available.
5. There shall be a reduction of \$5.25 in the intrastate rates paid by Lifeline customers.
6. Incumbent local exchange carriers shall file tariffs for Lifeline service and modifications for Link-Up service with an effective date no later than January 1, 1998.
7. Any supplemental testimony regarding the late-filed cost model testimony shall be filed by December 2, 1997.
8. Briefs regarding all matters pending in Administrative Case No. 360, if any, shall be filed no later than December 22, 1997.
9. A copy of this Order shall be served on all CLECs in Kentucky.

Done at Frankfort, Kentucky, this 26th day of November, 1997.

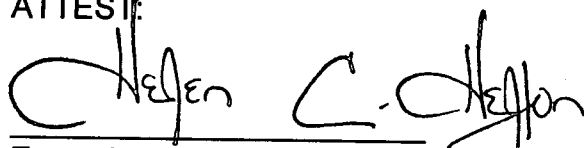
PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director